

Exhibit No. 12
Date 4-10-07 #1
Bill No. HB 830

Geoff Feiss

From: Erin Lutts [elutts@midrivers.com]
Sent: Monday, April 09, 2007 10:21 PM
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Cc: Geoff Feiss
Subject: Please Oppose Northern Tier Funding in HB830
Importance: High

Madam Chairwoman & Members of the Committee:

Mid-Rivers Communications, a telecommunications cooperative serving residents in a 30,000-square-mile area of Eastern and Central Montana, would like to ask that you **please remove the \$4.55 Million in funding currently appropriated to the "Northern Tier Network" as part of House Bill 830** under consideration by your Committee.

Mid-Rivers provides local and long distance telephone, high-speed Internet, cable television, wireless phone, and a variety of related telecommunications services and products to communities from Fairview to Ekalaka and Wibaux to Lewistown. We **employ approximately 175 people that live and work in Montana**, with a **total payroll of approximately \$7.8 Million**. Mid-Rivers has **invested over \$200 Million in telecommunications plant**, with an **average annual capital investment of \$10 Million**. We are one of the largest taxpayers in nearly all of the 22 Montana counties we serve.

Mid-Rivers operates over **10,100 route miles of telephone line** and has installed over **1,400 miles of fiber optic cable**, to which we are continually adding with upgrades and expansions to our network and fiber-to-the-home (FTTH) projects. Every customer in our service area has access to broadband Internet services through our company. We have also funded our own full-time Rural Development position since 1999 for the purpose of writing grants and zero-interest loans and promoting the survival and success of Eastern and Central Montana's rural communities.

As one of the companies that has spent decades of time and millions of dollars building Montana's existing telecommunications infrastructure, Mid-Rivers feels strongly that **the \$4.55 Million in HB830 for a "Northern Tier" fiber backbone threatens long-term investment in our state's telecommunications infrastructure and should not be approved**. The Northern Tier Network Consortium's plan is to **create a government-built, government-owned, and government-operated fiber network that competes directly with private enterprise**, essentially spending taxpayer dollars to take business away from the taxpayers.

Government competition with the private sector is prohibited by the Montana Code (2-17-601, ff. MCA), for a number of good reasons. Projects like the Northern Tier Network remove high value assets from the state's tax base, threaten recovery of fiber investments already in the ground, and discourage future investments by tax-paying private service providers. Declining investments in fiber networks will equate to declines in service quality and advanced service availability to Montanans. In addition, this proposal threatens to put state government into the telecommunications business, which is not its core strength. The state does not have access to the same technological resources – including but not limited to personnel, experience and partnerships – to build and manage a fiber network, nor should they. The state's role should be to encourage and nurture private

4/10/2007

investment in such endeavors, not compete with them.

You will see in HB830 that the Information Technology Services Division (ITSD) has requested a total of \$7.8 Million. We understand that they need \$3.25 Million for remote network upgrades, and we will not oppose that portion of the appropriation at this time as it does incorporate a competitive bidding process to procure those services from the appropriate private service providers. However, **the \$4.55 Million for the "Northern Tier" fiber backbone is unnecessary and is duplicative of existing network infrastructure already provided by a number of private enterprises** (including Mid-Rivers Communications). There is no business case for such a project, and in reviewing the Northern Tier Consortium's proposal it seems to be nothing more than a "Field of Dreams" proposition. Though they promote a "cost savings" by purchasing and operating their own fiber network, there is no mention in the proposals we have seen of just how much that cost savings would amount to. They also fail to focus on the fact that any cost "savings" would be due to a non-competitive agreement with a non-Montana carrier for purchasing dark fiber. That money will all end up out-of-state, and the additional costs of hiring and training state personnel necessary for proper operation of a fiber network will far outweigh any savings from this dark fiber arrangement with a national carrier.

The bottom line on the Northern Tier Network proposal is that **a number of private providers can supply the State with all the bandwidth it needs right now**. We can already offer the state a "gigabit" backbone, and there is no need for another backbone – especially one owned, operated and maintained by state government. This duplicative backbone even has the potential to pull traffic off our private infrastructure, reducing the potential for Montana service providers to make a sound business case for operating telecommunications networks in sparsely-populated rural Montana – this business case is tight enough already due to the extensive geographic territory we must all cover. There is no need for the state to use taxpayer dollars to strand our existing and planned private investments in telecommunications infrastructure, so **please vote to remove the \$4.55 Million request for the Northern Tier project from HB830**.

Sincerely,

Mid-Rivers

COMMUNICATIONS

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EXHIBIT 1

DATE 2/7/06

HB 14

***Information Technology
Services Division (ITSD)***

HB14 – Appropriations for IT Projects
PL 712 – Network Expansion

Mike Boyer, Asst. Administrator
MT Dept of Admin/ITSD



INFORMATION TECHNOLOGY SERVICES DIVISION



Solution (Part 1): High Speed Backbone



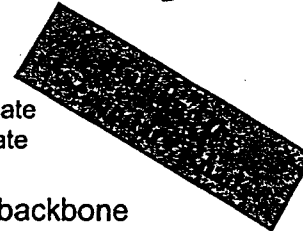
- Cost: \$4,569,530
- Optical network across the state
 - "Superhighway with 5 on/off ramps"
 - State-of-the-art technology
 - High capacity, expandable to meet future needs
 - "Low cost" allowing greater portion of dollars to be spent on local connectivity
- Internet connection
 - Upgrade bandwidth at Helena and Eastern Montana Service Centers.
 - Supports redundancy and load balancing between Internet portals.



INFORMATION TECHNOLOGY SERVICES DIVISION



Solution (Part 2): Enhancing the Distribution Layer



- Cost: \$3,253,470
- Remote Office Upgrades
 - 145 communities throughout the state
 - 460+ office sites throughout the state
- Redundant core switches
- Upgrade Capitol Complex fiber backbone
- Supports Agency Business Requirements
 - Upgrade ~80 sites operating at 56K (home dial up speed)
 - Experiencing significant performance impacts.
 - Expanding use of network to support administrative & agency business applications
 - Centralized backup of remote servers and devices.
 - Need to support Video and Data



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